

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

Senate Bill 385 (as enrolled) (Public Act 312 of 1988)**Sponsor: Senator Vern Ehlers****Senate Committee: Commerce and Technology****House Committee: Insurance****Date Completed: 8-29-88**

RECEIVED

OCT 03 1988

Mich. State Law Library

RATIONALE

The Insurance Code provides that personal protection automobile insurance benefits are not payable for funeral and burial expenses in excess of \$1,000. This standard has not been changed since the no-fault auto insurance system was enacted in Michigan in 1972, even though the rate of inflation has risen dramatically during that time. Reportedly, the families of victims of some fatal automobile accidents have been unable to cover funeral and burial expenses because the auto insurance benefits were the sole source of payment for those services. Some people believe that the level of funeral and burial benefits should be increased.

CONTENT

Senate Bill 385 (S-1) would amend the no-fault provisions of the Insurance Code to increase the amount of funeral or burial charges for which personal protection insurance benefits are payable, to specify the dates on which maximum benefit levels for work loss began, and to allow group life and disability insurance to be sold to multiple employer trusts.

The Code provides that personal protection insurance benefits are not payable for funeral and burial expenses in excess of \$1,000; the bill specifies that, beginning October 1, 1988 such benefits would be payable in an amount set forth in the insurance policy, but could not be less than \$1,750 nor more than \$5,000.

In addition, the Code specifies that "benefits payable for work loss sustained in a single 30-day period and the income earned by an injured person for work during the same period together shall not exceed \$1,000.00". The bill specifies that this provision would apply beginning March 30, 1973. The Code requires that this maximum level be adjusted annually to reflect changes in the cost of living; the bill specifies that this provision would apply beginning October 1, 1974. The bill further specifies that a retired person over the age of 60 could choose to be excluded from this type of coverage.

Finally, the bill would authorize group disability or group life insurance to be issued to a trust or trustees of a fund established by two or more employers to insure their employees.

MCL 500.3107 et al.

FISCAL IMPACT

The bill would have no fiscal impact on State or local government.

ARGUMENTS**Supporting Argument**

The current personal protection auto insurance benefit level for funeral and burial expenses is inadequate. Funeral and burial expenses often exceed \$1,000. Unless the victim had other coverage, or a substantial estate, his or her family can end up paying those expenses. Although \$1,000 may have been sufficient coverage when the provision of the Code was enacted, it falls short today. The bill would correct this inefficiency by increasing the benefit level to a range of \$1,750 to \$5,000.

Response: Personal protection auto insurance should not be the sole source for covering funeral expenses. It merely should complement other sources of payment. In addition, insurance companies should be left to make the decision of what coverage to offer. The provision for increased benefits should be permissive rather than mandatory, because it could result in increased insurance premiums for everyone. Even if an increased minimum level of coverage is considered necessary, there is no reason to allow benefits to go as high as \$5,000. This provision could result in consumers unknowingly buying more coverage than they need.

Supporting Argument

Allowing group life and disability insurance to be sold to multiple employer trusts would increase the availability of such coverage to small employers.

Opposing Argument

Funeral and burial expenses should not be a mandatory part of a no-fault insurance package at all. Those who want coverage should be able to purchase as much as they desire, while those who choose not to be covered should be free from the burden of the added expense.

Legislative Analyst: P. Affholter

Fiscal Analyst: L. Burghardt

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

S.B. 385 (8-29-88)